Governor's Midterm Budget Adjustments for the Department of Social Services

PRESENTATION TO THE LEGISLATIVE APPROPRIATIONS COMMITTEE

FRIDAY, FEBRUARY 14, 2014

Connecticut Department of Social Services

Making a Difference

Presentation Summary

- DSS Highlights
- DSS Budget Overview
- Overarching Budget Strategies
- Medicaid Net Funding
- Medicaid Overview
- Medicaid Budget Changes
- Infrastructure Investments
- Other Budget Adjustments

Overview – DSS Highlights

- **Serves more than 750,000** state residents
- **Supports basic needs** of children, families, elders & other adults, including persons with disabilities, through economic aid, health services, social work services, child support, energy aid, elderly protective services, and many other areas
- **Covers health care** for over 600,000 residents through HUSKY Health/Medicaid & other programs
- Helps over 400,000 residents with federal Supplemental **Nutrition Assistance** Program (food stamps) benefits

Overview – DSS Highlights

- **ConneCT** – changing service landscape at DSS through comprehensive upgrade of business model, emphasizing customer service & technology-supported processes

- **ImpaCT - Eligibility Management System replacement** – building the next generation eligibility management system with a projected full implementation date of December 2015

Overview – DSS Highlights

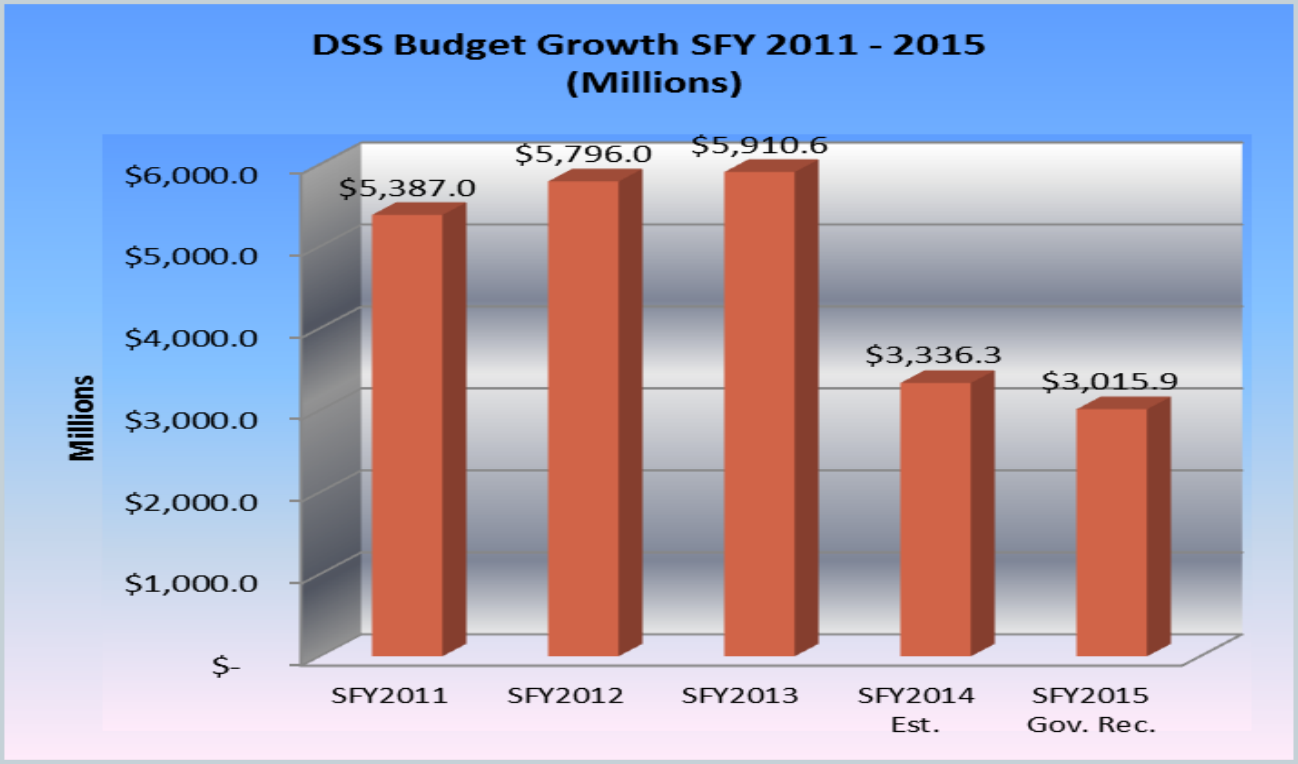
- **Long-term care** – continued support for Governor Malloy's strategic rebalancing initiative
- **Mapping the future of long-term care needs** - helping diversify the nursing home industry
- **Money Follows the Person program** – transitioned nearly 2,100 people to the community; several thousand more in assessment/case management process
- **Federal revenue enhancement** – $72.8 million through the Balancing Incentive Program

Overview - DSS Budget

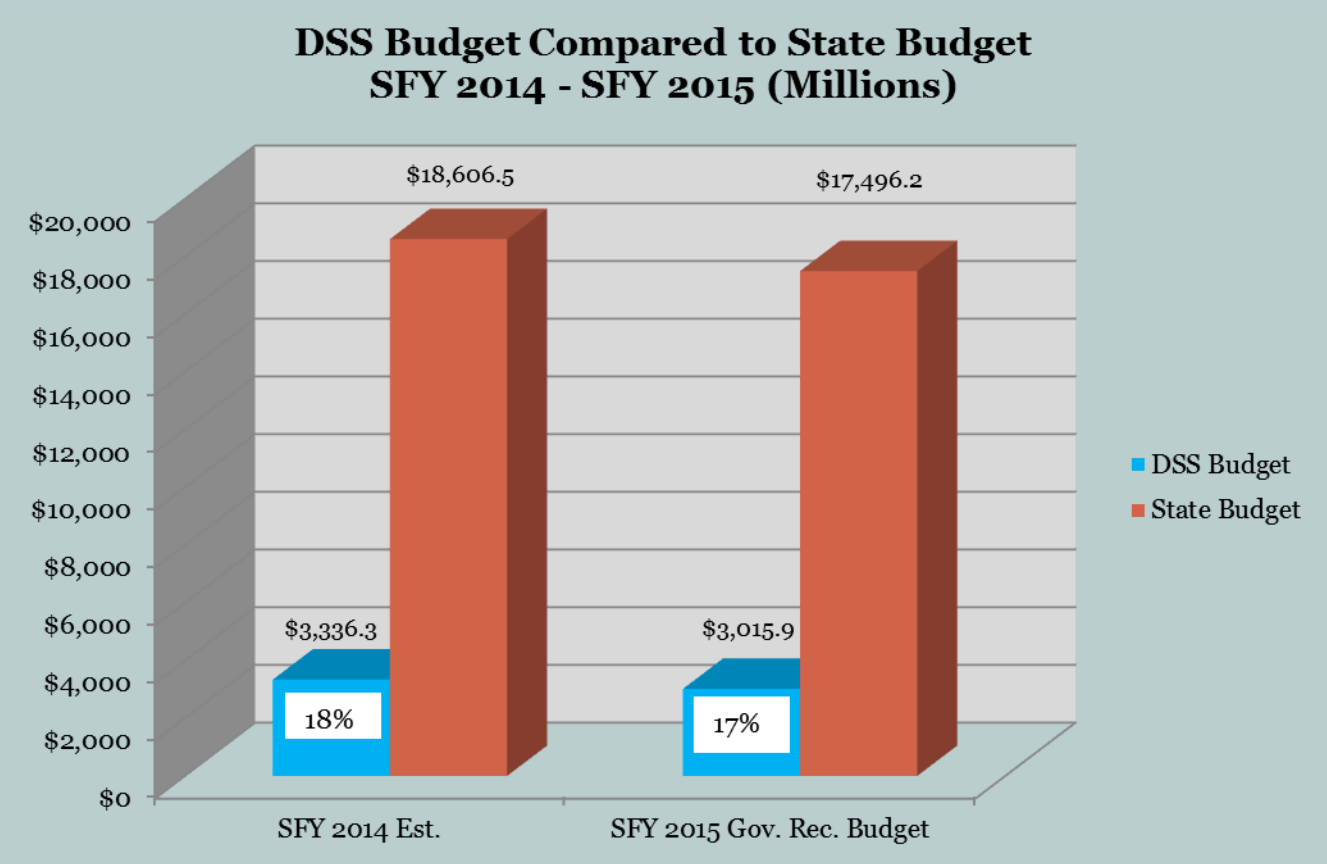
- The Governor's midterm budget adjustment includes $3.016 billion for DSS in SFY 2015, an increase of $28.9 million above the original SFY 2015 appropriation.
- When compared to current SFY 2014 projected expenditures, this represents a decrease of 9.6% for SFY 2015.
- This decrease is primarily due to the increasing federal share of Medicaid costs resulting from the full implementation of Medicaid Coverage for the Lowest-Income Populations (HUSKY D).

Overview - DSS Budget

- The midterm budget adjustment for DSS includes $3.0 billion in SFY 2015. Funding levels for SFY 2014 and 2015 reflect the impact of net funding Medicaid.



Overview - DSS Budget

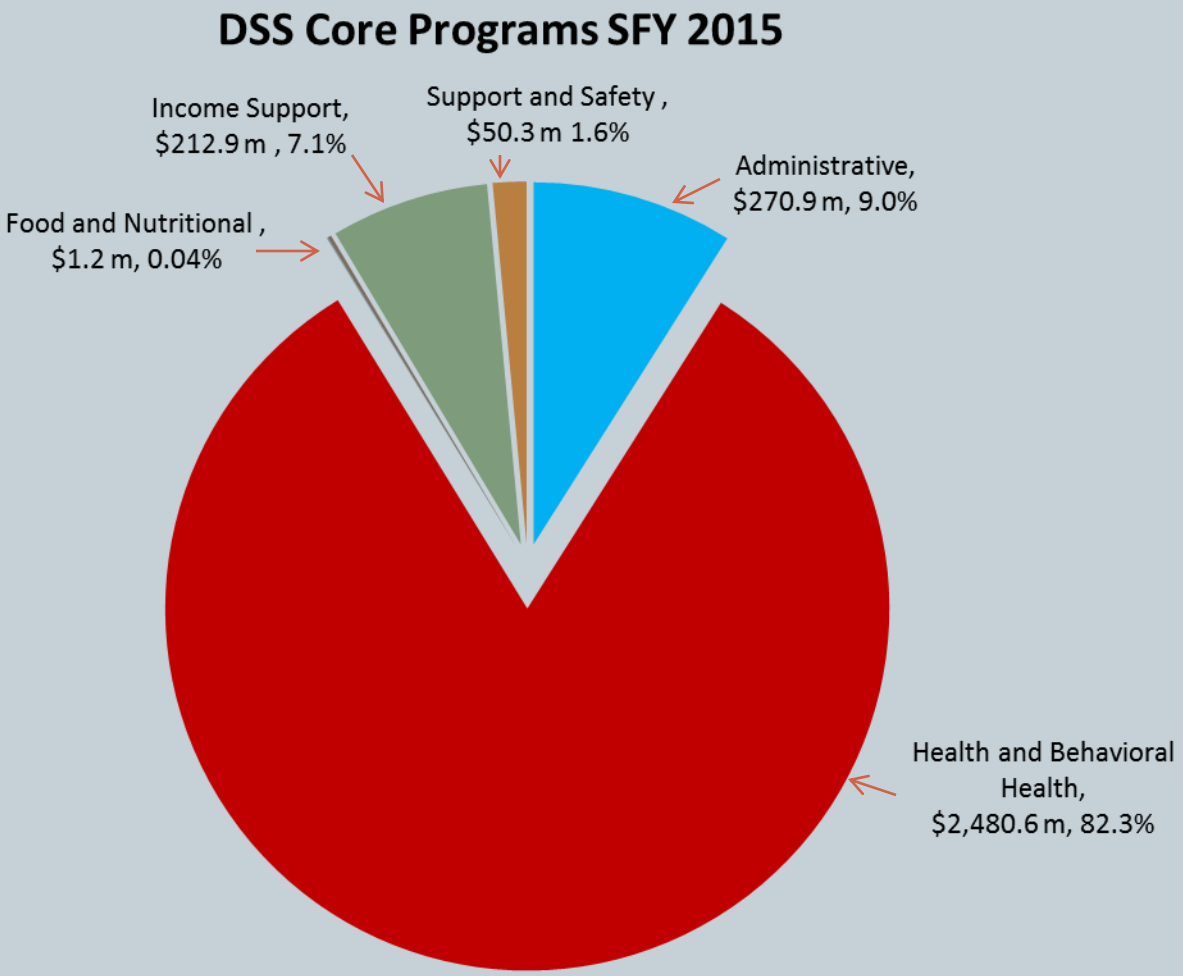


After the changes recommended in the midterm budget, the DSS budget as a percentage of the State General Fund is 17%.

Overview – DSS Budget

- The proportion of the DSS General Fund budget directed to health services is 82.3% in SFY 2015.
- Administrative and field operation expenses remain a small portion of the DSS budget, accounting for 9.0% of total expenses in SFY 2015.
- The share of the DSS budget targeted to income support, including our Temporary Family Assistance, State Supplement, and SAGA Cash Assistance programs, is at 7.1% in SFY 2015.

Overview – DSS Budget



Overarching Budget Strategies

The Governor's midterm budget recommendations allow the Department to further several strategies including:

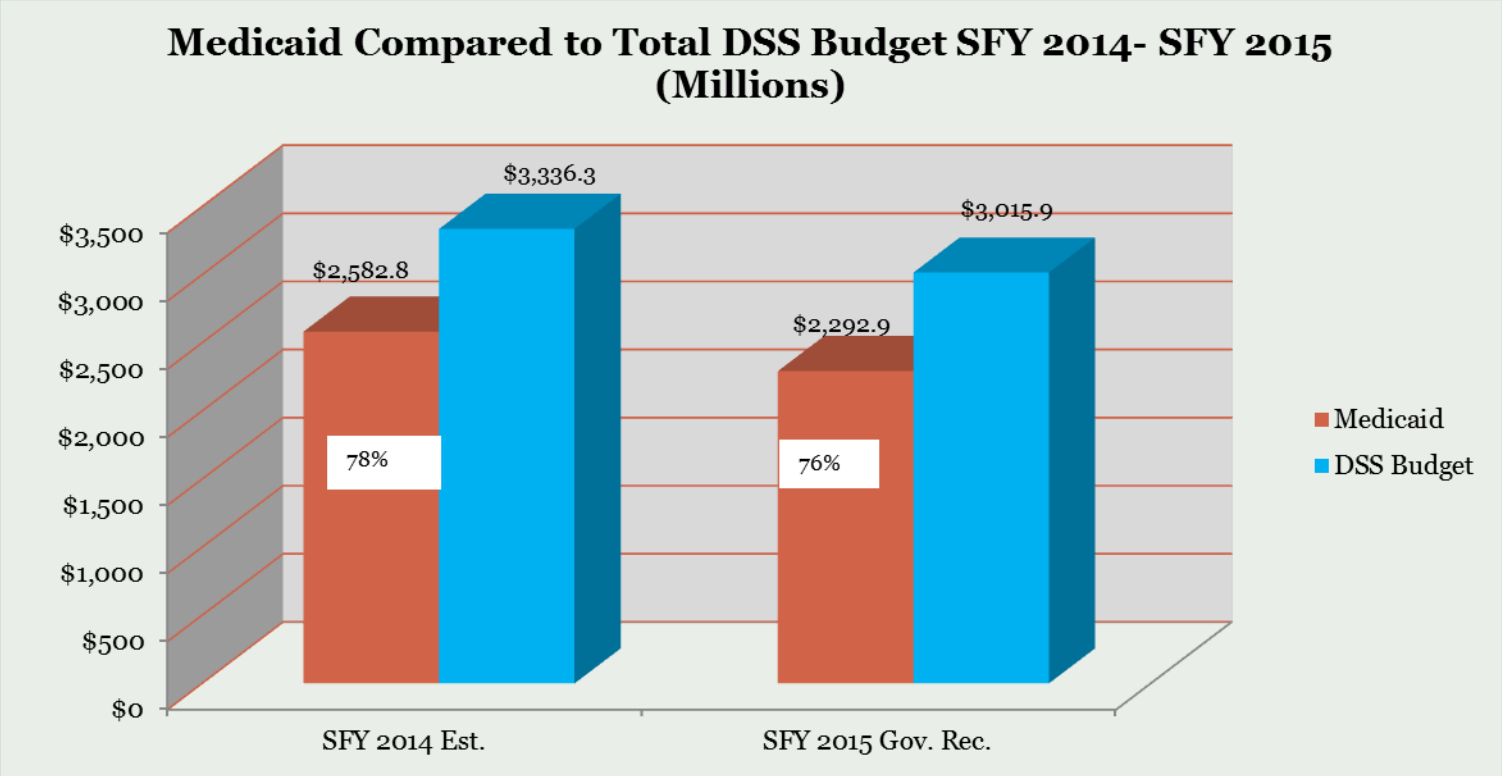
- Continuing support for an Administrative Services Organization (ASO) structure to manage medical, behavioral health, dental, and non-emergency medical transportation (NEMT);
- Enabling the use of preventative, primary care;
- Facilitating the shift from institutional to home and community-based services;

Overarching Budget Strategies (cont.)

- Promoting efforts to ensure that provider payments are free of fraud, waste and abuse;
- Pursuing opportunities available under the Affordable Care Act (ACA);
- Investing in infrastructure associated with ImpaCT, (our Eligibility Management System replacement); and
- Investing in additional staff resources, as well as operating expenses associated with the recent Access Health CT and ConneCT rollouts.

Overview - Medicaid

- The budget for Medicaid represents 76% of the total DSS budget in SFY 2015.



Medicaid Net Funding

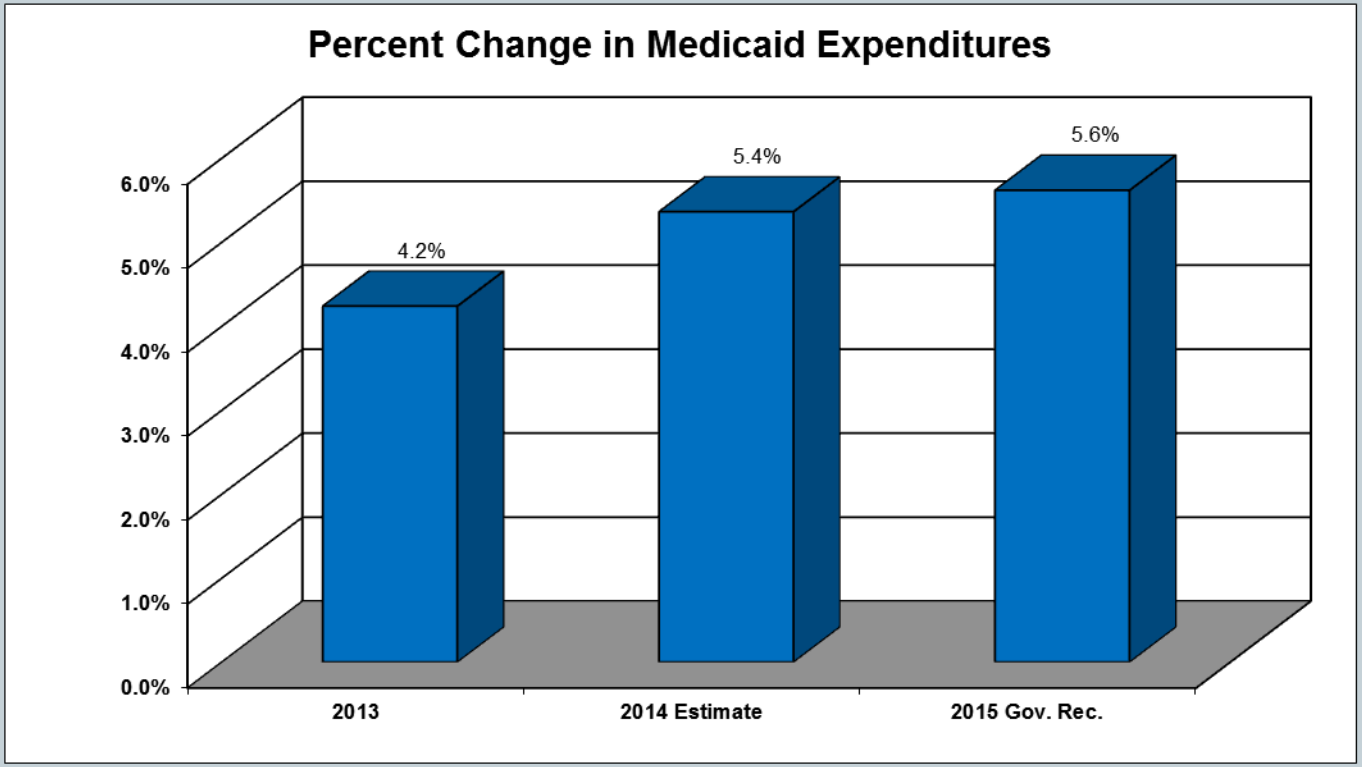
- Beginning in SFY 2014, the Legislature directed the Department to implement “net funding” of Medicaid.
- Prior to this year, the full costs of Medicaid were budgeted under the General Fund, including both the federal and the State share of the costs of the program.
- Under the prior arrangement, federal reimbursement received was deposited directly to State General Fund revenue.

Medicaid Net Funding

- The Department now supports the federal share of the program by placing the federal reimbursement related to the DSS Medicaid program in a dedicated account.
- The General Fund appropriation and the new dedicated federal account pay for the State and federal share of costs, respectively.
- The Department continues to report expenses in aggregate to ensure transparency and to allow for an accurate assessment of costs for the total program.

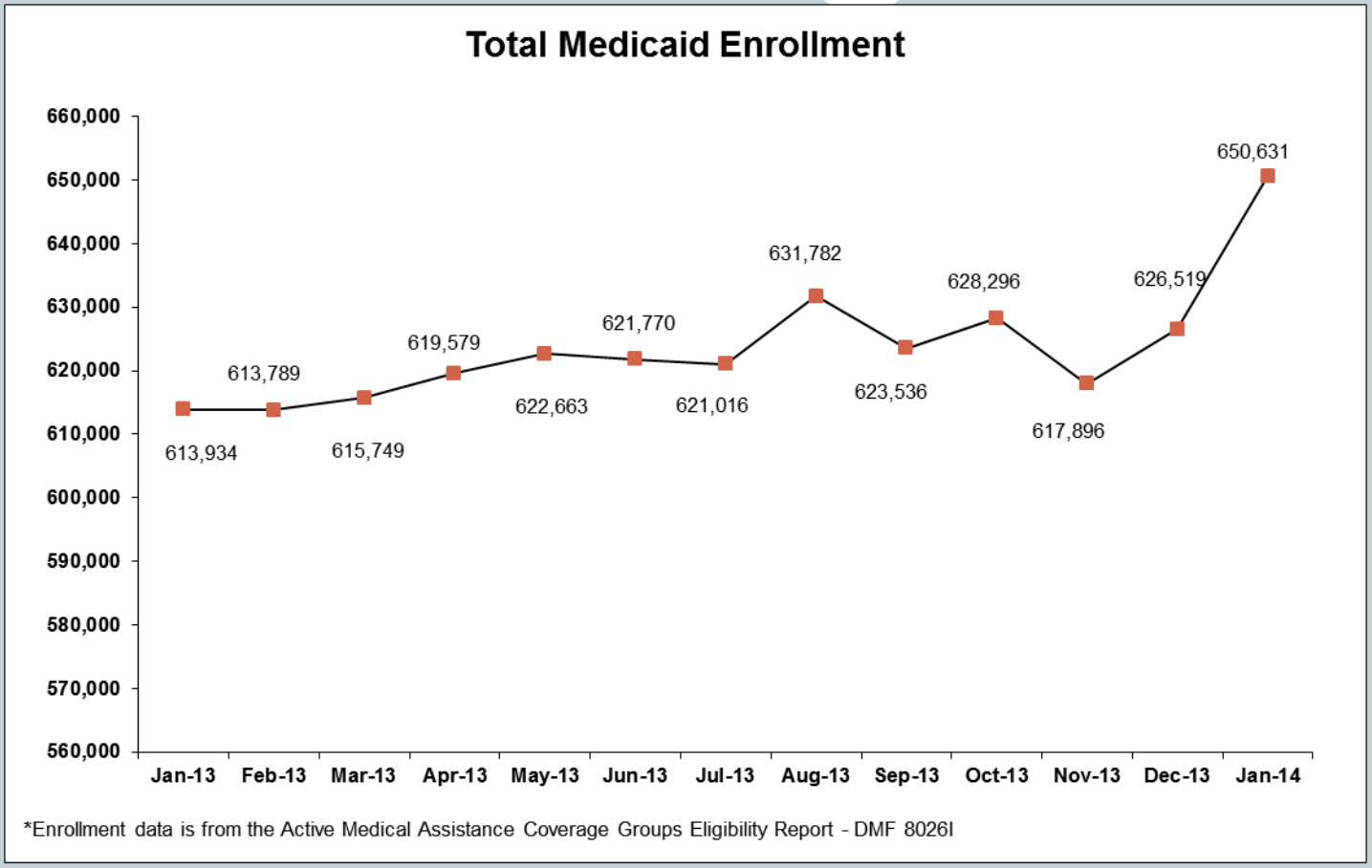
Overview – Medicaid Expenditure Growth

- Medicaid expenditures are increasing based upon caseload growth, with stable trends in cost per person.



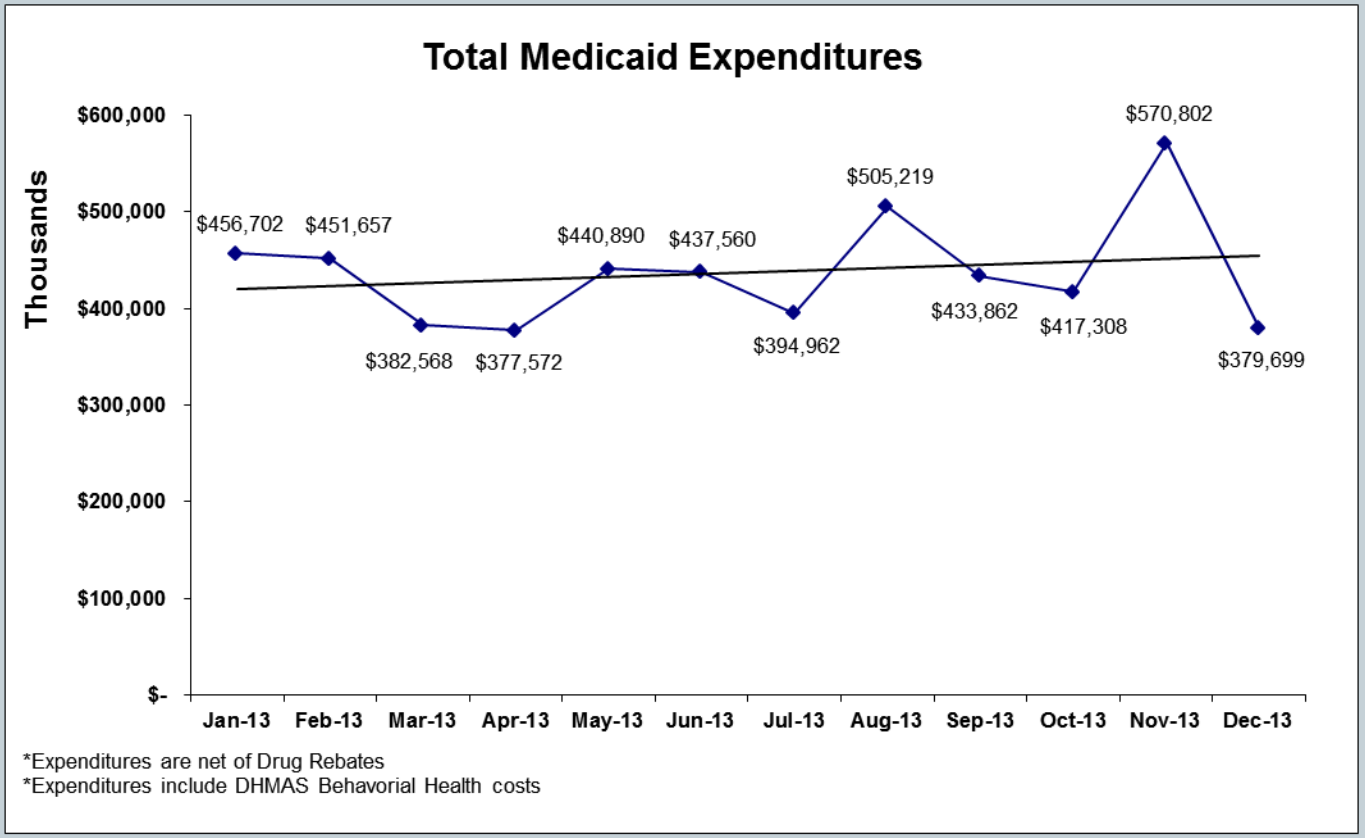
Figures are adjusted for one-time DSH transfer in SFY 2014 and include both the State and federal share of the program.

Overview – Medicaid Caseload Growth



Medicaid caseloads rose at a 6.0% pace over the most recent 12 month period, up from the 5.0% pace of calendar year 2012.

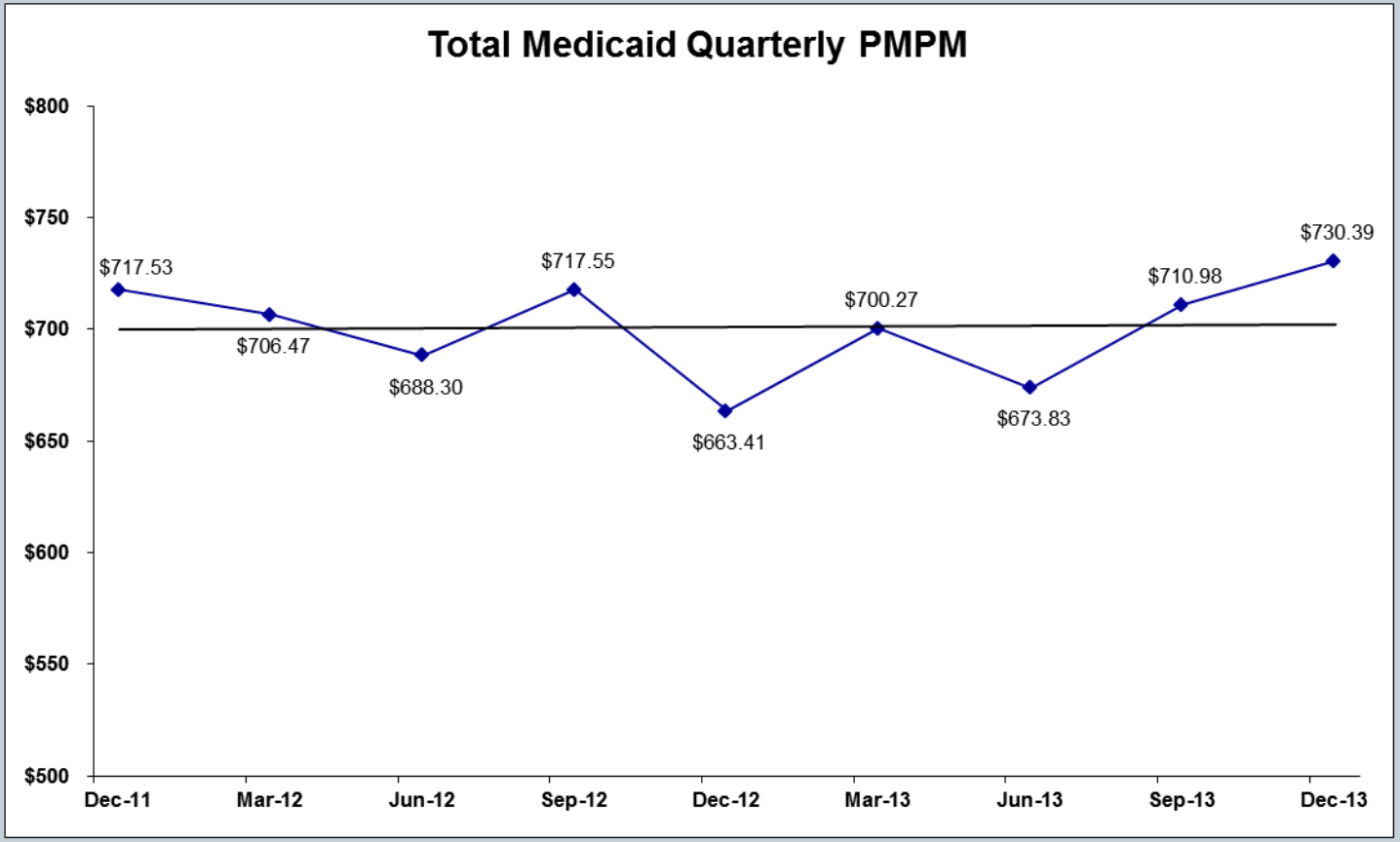
Overview – Medicaid Expenditure Growth



While caseloads have continued to rise, overall Medicaid expenditures were relatively stable in calendar year 2013.

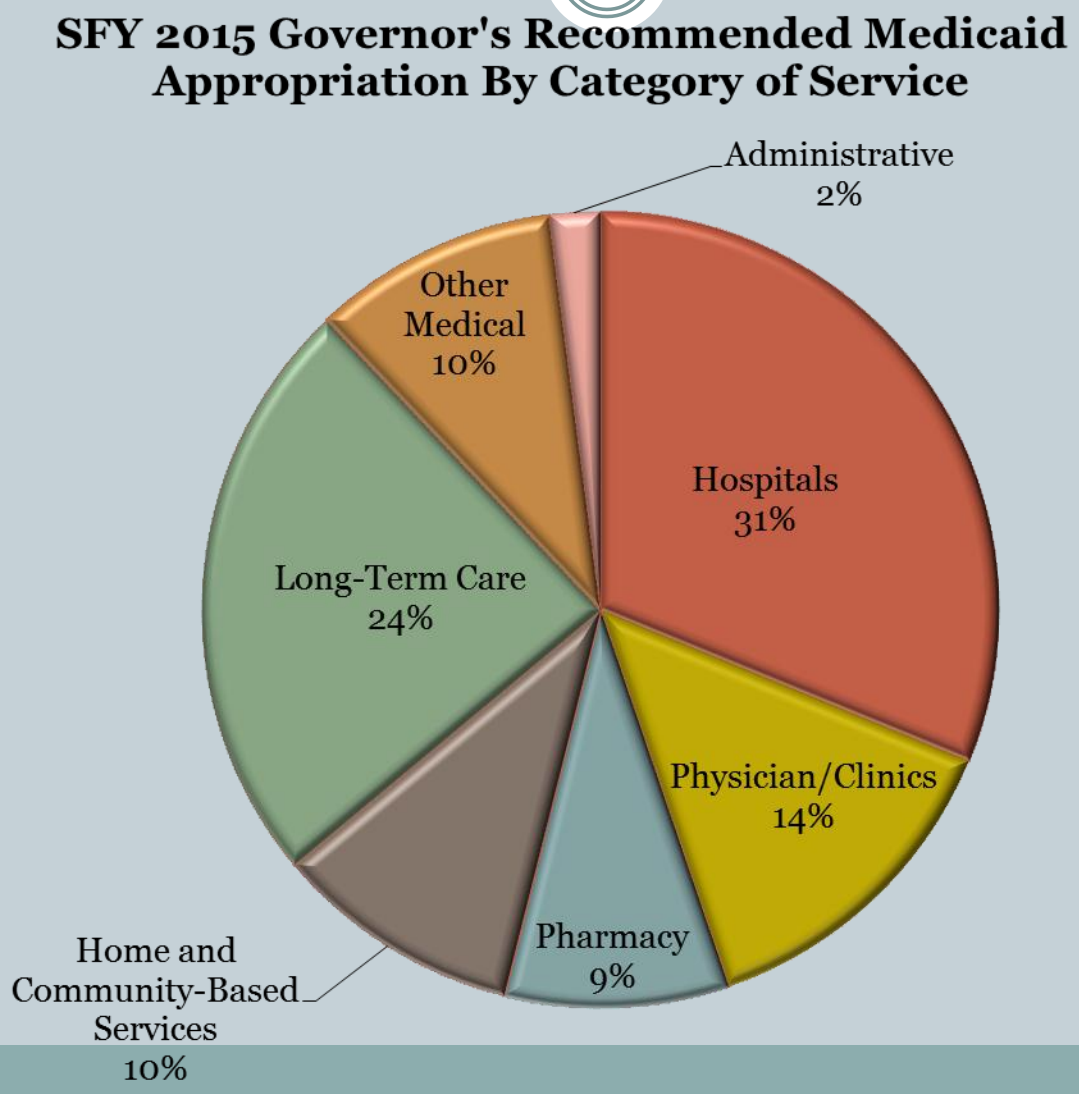
NOTE: Monthly variations in expenditures can be attributed to differences in the number of claims processing days in a given month, as well as payment adjustments.

Overview – Medicaid PMPM Growth



While caseloads have continued to rise, the overall Medicaid PMPM has been stable. The annual average PMPM increased only 1.4% from CY 2012 to CY 2013.

Overview – Medicaid by Type of Service



Medicaid Budget Strategies

As noted, the Governor's budget illustrates several important health reform strategies. These include:

1. **Continuing support for an Administrative Services Organization (ASO) approach in managing medical, behavioral health, dental, and non-emergency medical transportation (NEMT)**
2. **Enabling use of preventative, primary care**
3. **Support for meaningful choice in long-term services and supports (LTSS)**
4. **A significant anti-fraud initiative**

Medicaid – ASO Support

Strategy 1: **Continuing support for an Administrative Services Organization (ASO) approach in managing medical, behavioral health, dental, and non-emergency medical transportation (NEMT)**

Medicaid – The Hypothesis

The central hypothesis . . .

Centralizing management of services for all Medicaid beneficiaries in self-insured, managed fee-for-service arrangements with Administrative Services Organizations, as well as use of predictive modeling tools and data to inform and to target beneficiaries in greatest need of assistance, will yield improved health outcomes and beneficiary experience, and will help to control the rate of increase in Medicaid spending.

Medicaid – The Hypothesis

The initial results . . .

Transition of all Medicaid services to a streamlined ASO platform has:

- *improved member and provider support;*
- *enabled tailored responses to members' needs through predictive modeling, Intensive Care Management (ICM) and data sharing; and*
- *created a partnership between DSS and its ASOs that is mission-driven toward improving the health outcomes and satisfaction of those served by Medicaid*

Medicaid – Data Integrity

- Under the ASO arrangement for medical services, CHN has created and provides the Department access to a single, integrated data set that includes a wealth of claims and encounter data

- This data is much more reliable and complete than was the case historically, as it is based on actual claim payments processed through HP, as opposed to "encounter" data reported by the multiple managed care organizations (MCOs)

Medicaid – Data Analytics

- A key example is that CHN has unprecedented capability in analyzing data for purposes including, but not limited to:
  - attribution of members to primary care practices
  - supporting members through Intensive Care Management (ICM)
  - supporting providers in understanding and tracking the needs and use of health services of the members for whom they care

Medicaid – ASO Member & Provider Services

- Centralization of **member services** has enabled streamlined support with referral to primary care physicians, referral to specialists, assistance with prior authorization requirements and coverage questions, and relationship building

- Centralization of many **provider services** with CHN-CT has improved support with prior authorization requirements, coverage questions, and referrals

Medicaid – Intensive Care Management (ICM)

- CHN has fully implemented a tailored, person-centered, goal-oriented care coordination tool that includes assessment of critical presenting needs (e.g. food and housing security), culturally attuned conversation scripts as well as chronic disease management scripts

- Additionally, CHN-CT now has in place geographically grouped teams of nurse care managers

Medicaid – Intensive Care Management (ICM)

- An important feature of ICM is coordination with a co-located unit of Value Options (the behavioral health ASO)
- Care managers from CHN, DSS and Value Options meet twice weekly to review hospitalizations and planned admissions to identify the appropriate care manager to take responsibility for the member's care

Medicaid – Medical ASO Accomplishments

- Over the period from January 2012 through October 2013:
  - per member per month costs have decreased by 2.7%
  - hospital inpatient per member per month costs decreased by 6.5%
  - emergency department visits per 100 member months increased by 0.2%

Medicaid – Medical ASO Accomplishments

Members engaged in ICM between January - December 2012

		Paid	Utilization	Paid
All Claims	$	(10,841,227)	-0.6%	-12.0%
Medical Claims	$	(11,068,466)	-1.3%	-13.0%
BH Claims	$	227,238	10.4%	4.4%
ED Visits	$	(235,287)	-9.3%	-6.9%
Inpatient Admissions	$	(7,894,217)	-43.7%	-39.0%

Rolling 12 months - Members engaged in ICM between April 2102 - March 2013

		Paid	Utilization	Paid
All Claims	$	(13,655,270)	-0.4%	-15.0%
Medical Claims	$	(13,737,867)	-1.1%	-16.0%
BH Claims	$	82,596	10.5%	1.6%
ED Visits	$	(263,508)	-10.6%	-7.5%
Inpatient Admissions	$	(10,191,024)	-47.4%	-44.2%

*CHNCT reported as of 02-07-14

Medicaid – Behavioral Health ASO Accomplishments

- Outcomes for individuals served by the Value Options ICM program included:
  - 72.7% reduction in total days in a confined setting
  - 73.5% reduction in psych days
  - 69.2% reduction in inpatient detoxification days
  - 10.5% increase in total days in the community

Medicaid – Dental ASO Accomplishments

- In 2011, year 3 of the CT Dental Health Partnership:
  - The number and percentage of children and parents who received dental services increased for the third consecutive year
  - The number of children under 3 who received preventive dental care increased nearly three fold
- 100% of beneficiaries have the choice of at least two dentists within a 20 mile radius of their home; 99.7% have 2 providers available within a 10 mile radius; and 97.7% have 1 dentist available within a 5 mile radius

Medicaid – Enabling Use of Primary Care

Strategy 2: **Enabling use of preventative, primary care**

A key goal of the DSS health reform agenda is to connect Medicaid beneficiaries to a regular source of preventative primary care. To do so, DSS is using diverse strategies including:

- Expansion of the Person-Centered Medical Home (PCMH) initiative
- Attribution of beneficiaries by CHN to primary care practices
- Financial support for Electronic Health Records (EHR)
- Enhanced reimbursement to primary care practices

Medicaid – Enabling Use of Primary Care

- Effective January 1, 2013, the Affordable Care Act (ACA) required states to increase Medicaid payments for identified services provided by primary care doctors to 100% of the Medicare payment rate for 2013 and 2014 (financed with 100% federal funding)
- Services must be delivered by a physician who specializes in family medicine, general internal medicine, or pediatric medicine; or practitioners (e.g. Advance Practice Registered Nurses, APRNs) working under the personal supervision of any qualifying physician
- Certain physician subspecialists who are board certified in those specialties or provide primary care within the overall scope of those categories also qualified for the enhanced payment

Medicaid – Enabling Use of Primary Care

- DSS implemented Affordable Care Act (ACA) rate increases on July 1, 2013 for 2,277 approved providers who attested as to their eligibility
- Beginning on July 1, 2013, approved providers began receiving enhanced payments
- Providers also received payment for claims back to January 1, 2013, which were automatically identified and reprocessed by HP

Medicaid – Enabling Use of Primary Care

- Since implementation of the primary care rate increase, there has been a substantial increase in the number of participating providers

The Governor's proposed budget adjustment includes a commitment to **maintain funding for the primary care rate increase** after December 31, 2014.

The increased funding of $15.1 million represents only the State share; an additional $15.1 million will be available through the federal share to support this commitment.

Medicaid – Rebalancing

Strategy 3: **Support for meaningful choice in long-term services and supports (LTSS)**

- Over the past few years, Connecticut has endeavored to shift its focus on services for individuals with the need for long-term services and supports.

- This is motivated by the fact that community-based LTSS is less costly than institutional care and community LTSS participants experience a higher quality of life.

Medicaid – Rebalancing

- Connecticut's Strategic Rebalancing Plan captures a broad range of activities that are associated with rebalancing. Money Follows the Person is a significant example of this.

- The Governor's proposed budget adjustments further the rebalancing agenda by incorporating the **Community First Choice initiative** as well as by proposing **to expand participation in the Katie Beckett Waiver and Connecticut Home Care Program for Adults with Disabilities**

Medicaid – Rebalancing

Key Attributes of the Strategic Rebalancing and Nursing Facility Diversification and Modernization Efforts

- Developing town level projections of need for long-term services and supports (LTSS)
- Launching MyPlaceCT.org – a central point to connect the public to information about LTSS
- Increasing the number of transitions of long-term nursing home residents to the community
- Closing service gaps, improving existing services, and identifying new services

Medicaid – Rebalancing

The biennial budget already includes funding under the Department of Economic & Community Development to coordinate with the DSS rebalancing effort:

- $10 million in bond funds in each year of the biennium for right-sizing through diversification of nursing facility business models

- $2 million in bond funds in each year for home accessibility modifications and to support financing of adult family living homes that provide 24-hour supervision and assistance with activities of daily living.

Medicaid – BIP

Additionally, through the **Balancing Incentive Program (BIP)** the Department will:

- Access additional federal revenue for efforts already underway to transition individuals from more costly nursing home placements to the community;
- Qualify for a 2% federal reimbursement increase by targeting 50% of our spending on community-based long term care services and supports by October 1, 2015; and
- Receive at least $72.8 million in additional revenue through SFY 2016

Medicaid – Community First Choice

The Governor's proposed budget adjustments include a commitment to add self-directed Personal Care Assistance as a Medicaid State Plan service under the **Community First Choice (CFC)** option.

- CFC permits states to provide community-based personal care assistance and other services to individuals with disabilities who would otherwise require an institutional level of care
- This will qualify Connecticut for an additional six percentage points in federal matching funds

Medicaid – Katie Beckett Waiver

The Governor's proposed budget adjustments also include:

- Expansion of the **Katie Beckett Waiver** to serve an additional 100 children with severe disabilities
  - Katie Beckett is currently capped at just over 200 slots with a significant waiting list
  - Expansion will allow more medically fragile children to access services in a more timely manner and will support parents as primary caregivers

Medicaid – Adults with Disabilities

- Expansion of the **Connecticut Home Care Program for Adults with Disabilities** to serve an additional 50 adults with neurodegenerative disorders such as multiple sclerosis and Parkinson's disease
  - This will open up opportunities for people who are currently waitlisted for these services and will prevent nursing home placement for individuals who would quickly turn to Medicaid as their payment source

Medicaid – Combatting Fraud

Strategy 4: **A significant anti-fraud initiative**

The Governor's proposed budget adjustments include an aggressive fraud detection initiative.

- This initiative will employ predictive analytics to better identify complex patterns of fraud, waste and abuse, and allow the state to conduct additional investigations to recover funds expended on fraudulent claims.
- The underlying budget assumes $104 million in savings from these efforts in SFY 2015.

Combatting Fraud – Expand False Claims Act

- The Governor has also proposed to expand the applicability of the False Claims Act from solely Medicaid to all health and human services programs, state payments made for state employee and retiree health and state-paid Workers' Compensation medical claims

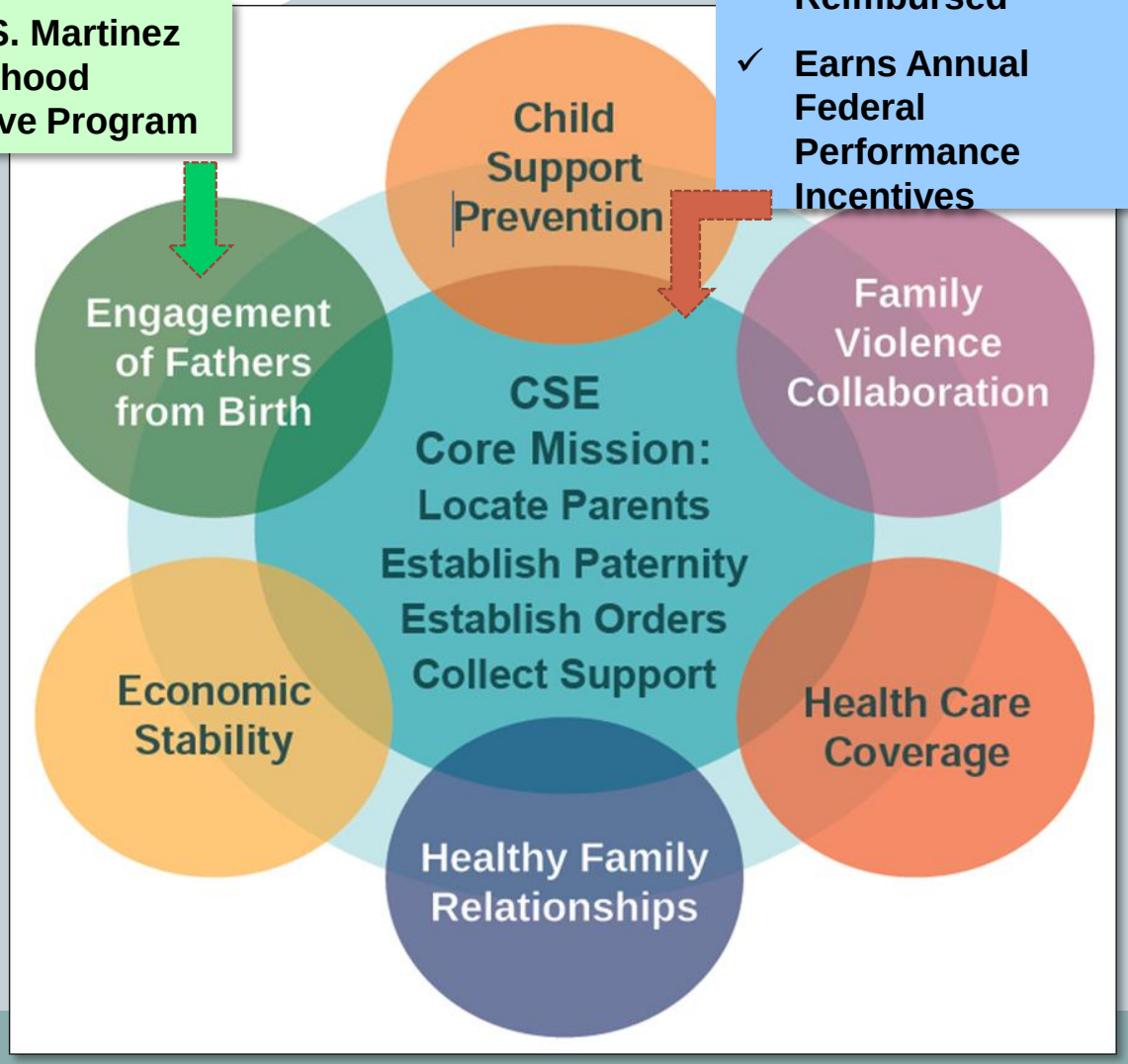
- Finally, the Governor includes funding for 6 new staff for DSS to support fraud recovery efforts

Office of Child Support Services

In view of DSS's evolving integrated approach to serving the whole family, and to more closely align program goals with the federal plan for child support, DSS is requesting legislation to change the lead agency name from *Bureau of Child Support Enforcement* to **Office of Child Support Services**.

John S. Martinez Fatherhood Initiative Program

- ✓ **Program is 66% Federally Reimbursed**
- ✓ **Earns Annual Federal Performance Incentives**



Child Support - Performance Measures

- The child support incentive system measures state performance levels in five program areas:
  - Paternity establishment
  - Support order enforcement
  - Current collections
  - Arrearage collections
  - Cost-effectiveness

Child Support - Program Goals

- Improve national ranking
- Increase performance incentives
- Improve customer service
- Increase collections for families & TANF reimbursement
- Implement effective and realistic child support program succession plan
- Restructure and strengthen cooperative partner agreements
- Implement state of the art child support automated system
- Integrate Fatherhood Initiative into the child support program structure

Child Support – Funding Enhancements

- Investment of seven new staff at a cost of $570,000 with federal reimbursement at 66%, for a net cost of $190,000
- Anticipated results:
  - (1) increased support order establishment;
  - (2) increased collections for families and the state; and
  - (3) avoidance of penalties
  - (4) increased participation among non-custodial parents through right orders, decreasing/preventing arrears, and improving economic opportunities through employment
- Additional revenues of $1.7 million, in total, are expected to result from these staffing enhancements

Infrastructure Investments

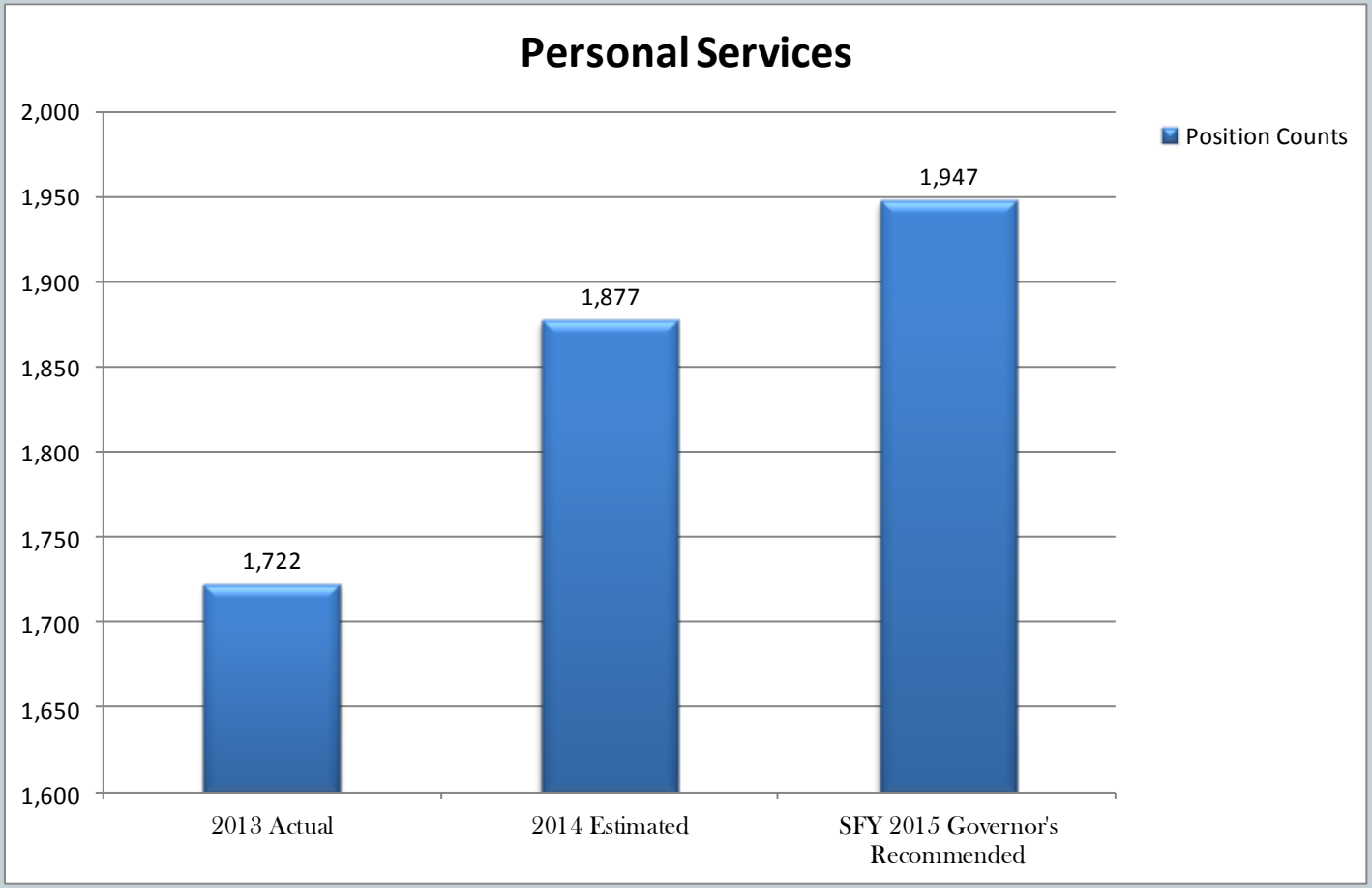
The Governor's midterm budget recommendation continues infrastructure support in several key areas:

- Staffing enhancements
- ConneCT operational support
- ImpaCT development and operational support (Eligibility Management System replacement)
- Access Health CT operational support

Infrastructure – Staff Enhancements

- Recent investments in staff allow us to build the firm foundation we need to meet the increasing demand for our services.
- When the technical and infrastructure improvements reach their full potential, the department will be better positioned to manage its caseloads.
- The Governor's midterm budget adjustment supports recent staffing investments. Our authorized count has been increased by 103 positions and associated funding provided.

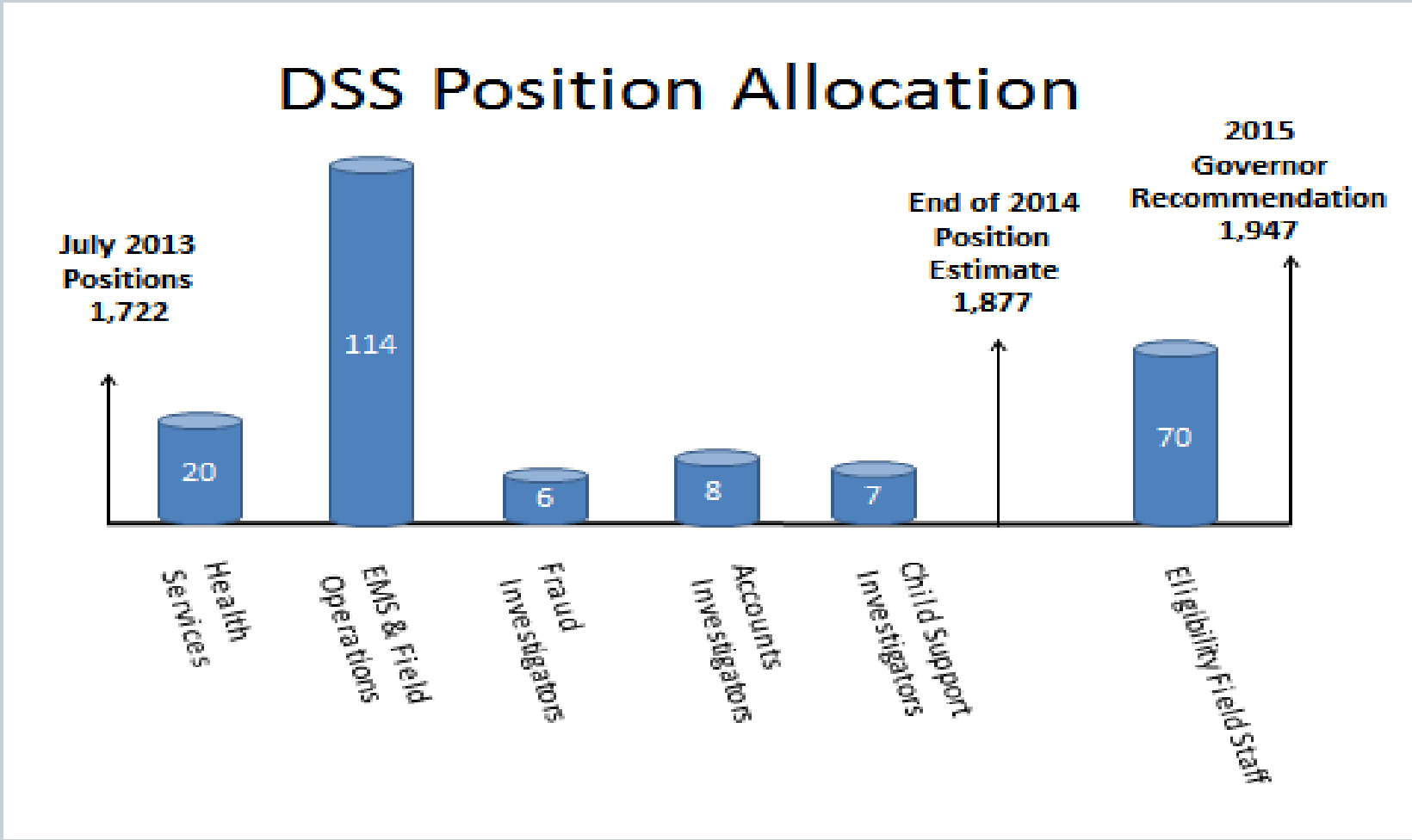
Infrastructure - Staffing



SFY 2014 represents expected filled positions at year end; SFY 2015 represents the recommended authorized position count

The end of the year 2013 count is adjusted to reflect agency transfers that occurred on July 1, 2013

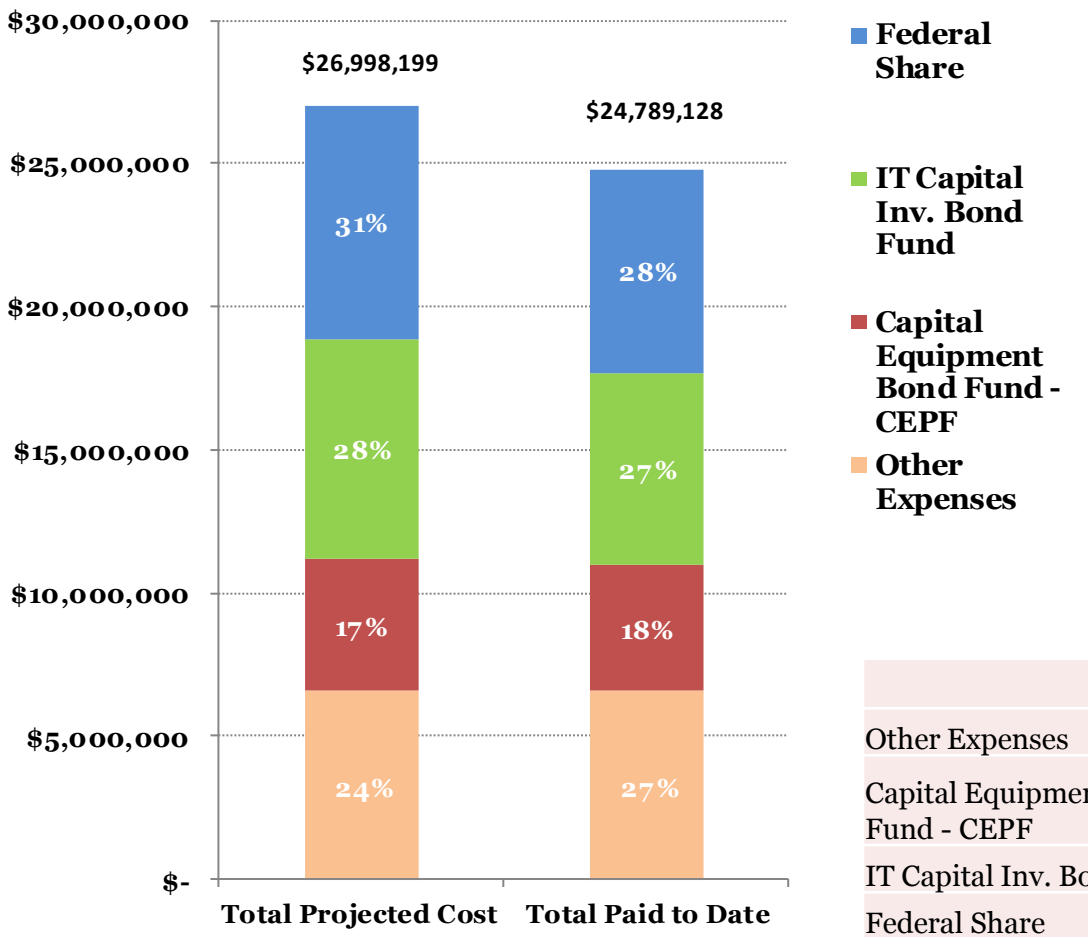
Infrastructure - Staffing



Information Technology Investments

- The Department is appreciative of the continued efforts to support our IT investments through a variety of funding sources including:
  - Use of the IT Capital Investment Fund
  - Utilizing the Federal Share of Project Expenses
  - Capital Equipment Purchasing Fund Allocations
  - General Fund Appropriation - Other Expense Allocations

IT Investments - ConneCT

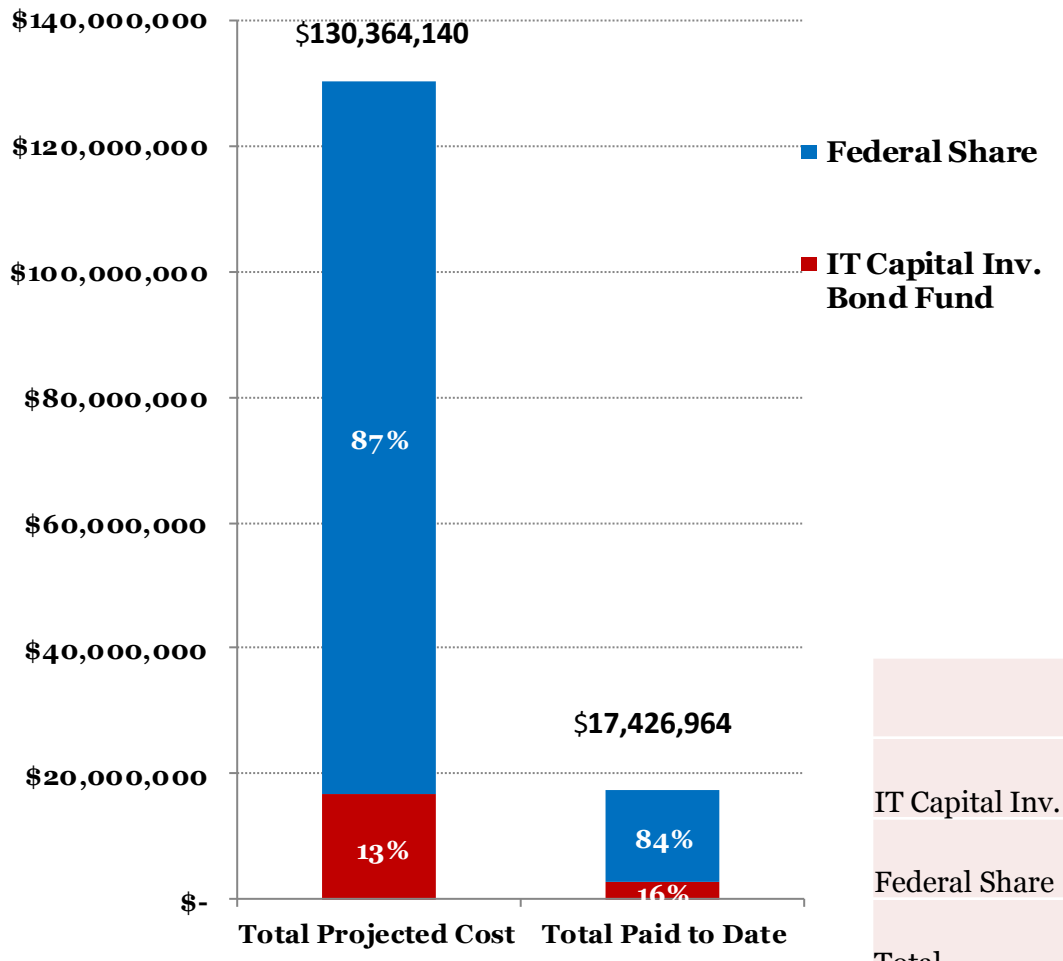


Total ConneCT project costs and actuals to date

92% of development costs are fully expended

	Total Projected Cost	Total Paid to Date
Other Expenses	$ 6,599,048	$ 6,599,048
Capital Equipment Purchase Fund - CEPF	$ 4,599,956	$ 4,386,456
IT Capital Inv. Bond Fund	$ 7,694,208	$ 6,722,321
Federal Share	$ 8,104,987	$ 7,081,303
Total	$ 26,998,199	$ 24,789,128

IT Investments – Access Health CT & ImpaCT



Total AHCT/ImpaCT project costs and actuals to date

13% of development costs are fully expended

	Total Projected Cost	Total Paid to Date
IT Capital Inv. Bond Fund	$ 16,671,042	$ 2,758,552
Federal Share	$ 113,693,098	$ 14,668,412
Total	$ 130,364,140	$ 17,426,964

Infrastructure - ConneCT

ConneCT components include:

- Web Services – client access to information
- Telephony – client access to help
- Document Management and Workflow – staff access to case information and e-documents

Funding included in SFY 2015:

- Operational costs - $6.5 million

Infrastructure – Integrated Eligibility

ImpaCT will replace difficult to maintain legacy systems collectively known as EMS, streamline eligibility determinations and case management, while allowing the department to continue to meet the requirements of the Affordable Care Act.

- The benefits of the Integrated Eligibility initiative include cost containment and reduction, enhanced quality, improved health outcomes, and increased access to benefits for eligible populations.
- Development costs are projected at $48.8 million in SFY 2015 for the ImpaCT Integrated Eligibility project which qualifies for just under 90% federal reimbursement.
- Additional operational costs of $7.7 million are funded in SFY 2015.

Infrastructure – Access Health CT

Access Health CT (AHCT) supports health reform efforts that will provide the residents of Connecticut with an enhanced and more coordinated health care experience.

- AHCT and DSS use a single shared eligibility service for HUSKY A, B, and D clients.
- The Governor's midterm budget adjustment fully funds the operational costs of this shared service, providing an additional $18.7 million in SFY 2015 for these expenses.

Other Budget Adjustments

- The Governor's midterm adjustments include a $500,000 reduction related to efficiencies expected from a review of all significant operational expenditures.

- This will include a review of fleet utilization, utility usage and billing rates, leases and other facility costs, and other purchasing methods and contracts.

- While savings are budgeted in the Other Expenses account, the review will not be limited to that account.

Conclusion

- In closing, I would like to express my gratitude to Governor Malloy for supporting our efforts to provide critical services to our neediest citizens.
- I recognize the challenges we face and am committed to providing the highest level of support for our clients.
- At this time, we are available to respond to any questions you may have.

Thank you.